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**FISCAL IMPACT STATEMENT**

**LS 6986**

**BILL NUMBER: SB 257**

**NOTE PREPARED: Jan 27, 2004**

**BILL AMENDED: Jan 20, 2004**

**SUBJECT:** Correction of School Funding Formula.

**FIRST AUTHOR:** Sen. Kenley

**FIRST SPONSOR:**

**BILL STATUS:** As Passed Senate

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill provides that: (1) the at-risk index used in calculating 2003 school tuition support must be calculated using 1990 census data; (2) the complexity index used in calculating school tuition support in 2004 and thereafter must be calculated using education attainment data for persons who are at least 25 years of age; (3) the target pupil-teacher ratio used to calculate prime time distributions must be calculated using multipliers that equal a number greater than one; (4) the target revenue per ADM of a charter school in its first year of operation is equal to the target revenue per ADM of the school corporation in which the charter school is located; and (5) a school corporation's share of the state appropriation for full-day kindergarten is calculated using the total ADM of the participating schools.

**Effective Date:** Upon passage; January 1, 2002 (retroactive); January 1, 2003 (retroactive); July 1, 2003. (retroactive).

**Explanation of State Expenditures:** *Summary:* The Department of Education is currently administering the school formula and the full-day kindergarten program in a manner consistent with the provisions of the bill, so the bill would have no fiscal impact.

*Background:* The bill changes the at-risk index used in calculating 2003 school tuition support to the 1990 Census data instead of the 2000 Census data. The school formula passed in 2001 used the 1990 Census data. The CY 2003 calendar year cap and FY 2003 and FY 2004 appropriation assumed the 1990 Census data would be used in the CY 2003 school formula calculations. The 2000 Census data does not have the education attainment data for persons who are at least 20 years of age. If the 2000 Census data was used, schools would receive \$23.0 M less in CY 2003, \$21.9 M less in CY 2004, and \$19.6 M less in CY 2005.

The bill specifies that the complexity index used in calculating school tuition support in 2004 and thereafter

is to be calculated using education attainment data for persons who are at least 25 years of age instead of 20 years of age. The 2000 Census data does not have the education attainment data for persons who are at least 20 years of age. If the education attainment statistic is removed, then the reduction in funding to local schools is \$2.5 M for CY 2004 and \$11.2 M for CY 2005 (a \$47.2 M reduction in state aid and a \$36 M increase in property taxes).

The bill specifies that the target pupil-teacher ratio used to calculate prime time distributions is to be calculated using multipliers that equal a number greater than one. The complexity index is greater than 1 and the old at-risk index was less than 1 when used to determine a school target pupil-teacher ratio. Under current law all schools would have a target pupil-teacher ratio of 15:1. If the calculation is not changed, then schools would receive \$6.7 M more in funding to local schools for CY 2004 and \$13.6 M in CY 2005. If the increase causes the distribution to exceed the calendar year maximum, then schools' distributions would be reduced proportionately so as not to exceed the maximum.

The bill specifies that target revenue per ADM of a charter school in its first year of operation is equal to the target revenue per ADM of the school corporation in which the charter school is located. Under current law all charter schools would receive the foundation grant times the complexity index. If the foundation amount is used in calculating charter school revenue, then charter schools would receive \$2.7 M less in revenue in CY 2004 and \$3.1 M less in CY 2005.

The bill specifies that a school corporation's share of the state appropriation for full-day kindergarten is calculated using the total ADM of the participating schools. The budget bill used the total ADM of the state, so only a fraction of the appropriation could be distributed. If the total ADM was used, schools with full-day kindergarten programs would receive \$3.5 M less in funding annually.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** The bill allows a school corporation that adopted a resolution between December 31, 2002, and July 1, 2003, to transfer funds to the school's general fund to offset the reductions in state tuition support but failed to make the transfer, to have until July 1, 2005, to make the approved transfer.

See also *Explanation of State Expenditures*.

**State Agencies Affected:** Department of Education.

**Local Agencies Affected:** Local Schools.

**Information Sources:** Department of Education Databases and School Formula Simulations.

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